

## Message Text

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11

ACTION EA-10

INFO OCT-01 ISO-00 ARA-06 IO-10 CIAE-00 DODE-00 INR-07

NSAE-00 PA-01 USIA-06 PRS-01 SP-02 EB-07 COME-00

TRSE-00 OMB-01 AID-05 /057 W  
----- 123380

R 300246Z JUL 75

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 2031

INFO AMEMBASSY LIMA

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E. O. 11652: N/A

TAGS: EIND, EMIN, BDIS, PE, JA

SUBJ: MARCONA NATIONALIZATION: JAPANESE VIEW

REF: LIMA 6033

SUMMARY: JAPANESE STEEL INDUSTRY PLANS NON- COMMITTAL REPLY TO GOP ANNOUNCEMENT OF TAKEOVER OF SALES OF IRON ORE FROM NATIONALIZED MARCONA PROPERTIES. IN CURRENT BUSINESS SLUMP JAPANESE STEEL COMPANIES NOT SUFFICIENTLY CONCERNED ABOUT INTERRUPTION OF SUPPLY TO RUSH INTO NEGOTIATIONS WITH MARCONA'S GOP-OWNED SUCCESSOR. END SUMMARY.

1. JAPAN'S SIX LARGEST STEEL FIRMS RECEIVED CABLES JULY 25 FROM GOP MINISTER OF MINES MALDONADO ANNOUNCING GOP HAD ASSUMED POSITION OF SOLE SELLER OF IRON ORE FROM NATIONALIZED MARCONA PROPERTIES. ON JULY 28 MARCONA'S TOKYO REP VISITED THESE COMPANIES, WHICH UNDER INDIVIDUAL CONTRACTS WITH MARCONA INTERNATIONAL (PANAMA) PURCHASE ALL OF JAPAN'S IMPORTS FROM THE PROJECT, TO DISCUSS CASE AND TO DELIVER LETTERS STATING MARCONA'S INTENTION OF MAKING EVERY EFFORT TO FULFILL ITS CONTRACTS AND OF TAKING LEGAL ACTION TO OBTAIN APPROPRIATE COMPENSATION FROM ANY ORGANIZATION WHICH ATTEMPTS TO PURCHASE PERUVIAN IRON ORE IN LIEU OF THE EXISTING CONTRACTS. (HE CONCEDED TO EMBOFF, HOWEVER, THAT LITIGATION IN LIMITED OFFICIAL USE

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MATTER OF THIS NATURE IS PROBLEMATICAL.) QTE BIG SIX UNQTE MET

JULY 29 TO FORMULATE JOINT RESPONSE TO GOP MESSAGE, WHICH THEY PLAN TO SEND JULY 30 (ABOVE DATES ALL LOCAL TIME). ACCORDING NIPPON KOKAN OFFICIAL, REPLY WILL EXPRESS JAPANESE STEEL COMPANIES' HOPE FOR AMICABLE SETTLEMENT AND STATE THAT AS PRIVATE CONCERNS AND THIRD PARTIES TO GOP-MARCONA RELATIONSHIP THEY WILL AWAIT FINAL DISPOSITION OF CLAIMS AND STUDY ALL RELEVANT FACTS AND LEGAL ISSUES BEFORE DECIDING HOW TO PROCEED.

2. REPS OF BOTH NIPPON KOKAN AND NIPPON STEEL STRESSED THAT ONLY SCANTY INFORMATION AVAILABLE AND THAT THEY ARE PRESENTLY QUITE UNCERTAIN ABOUT LEGAL STATUS OF THEIR C&F ORE CONTRACTS WITH PANAMANIAN BRANCH OF MARCONA IN RELATION TO EXPROPRIATION OF THAT FIRM'S PERUVIAN MINES. BOTH ADDED THAT JAPAN'S TOTAL DEPENDENCE ON IMPORTED IRON ORE NECESSITATES PRAGMATIC ATTITUDE TOWARD POLITICAL DEVELOPMENTS IN SUPPLYING COUNTRIES, THAT THAT IN PRESENT STEEL INDUSTRY SLUMP THERE IS NO SENSE OF CRISIS RE POSSIBLE INTERRUPTION OF SUPPLY FROM PERU, WHICH SUPPLIES LESS THAN 5 PERCENT OF JAPAN'S IRON ORE IMPORTS, AND THAT JAPANESE STEEL FIRMS THUS WILL MOVE CAUTIOUSLY AND WITH A VIEW TO ESTABLISHING MOST FAVORABLE LEGAL POSITION POSSIBLE VIS-A-VIS BOTH GOP AND MARCONA.

3. NIPPON STEEL OFFICIAL MENTIONED THAT TIMING OF EXPROPRIATION MAY HAVE REFLECTED GOP PERCEPTION OF CURRENT SHIPPING SLUMP AS OPPORTUNITY TO PURCHASE OR CHARTER ORE CARRIERS AT FAVORABLE RATES. NIPPON KOKAN REP AND SUMITOMO METAL INDUSTRIES REP, WHO ALSO DISCUSSED CASE WITH EMBOFF, ADDED THAT ALTHOUGH MARCONA SHIPPING ARRANGEMENTS, APPARENTLY MAJOR GOP GRIEVANCE, MAY HAVE BEENS SET UP WITH TAX CONSIDERATIONS IN MIND, THEY ARE HIGHLY PRICE COMPETITIVE AND WILL BE DIFFICULT FOR GOP TO MATCH. THUS, THEY AGREED, ABILITY OF GOP TO GUARANTEE CONTINUATION OF MARCONA'S CONTRACT CONDITIONS, EXCEPT BY TAKING A LOSS, IS DOUBTFUL, NIPPON STEEL OFFICIAL SPECULATED THAT MARCONA'S LOSS OF SHIPPING BUSINESS MAY BE GREATER AT LEAST IN SHORT RUN THAN VALUE OF EXPRPPRIATED PROPERTY AND THAT MARCONA LIKELY TO PRESSURE JAPANESE INTERESTS TO TAKE BACK THEIR 4 OF THE 16 SHIPS NOW ASSIGNED TO MARCONA INTERNATIONAL'S PERUVIAN RUN.

4. COPIES OF MARCONA LETTER TO STEEL COMPANIES MENTIONED PARA 1 POUCHED TO DEPT. AND LIMA.

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## Message Attributes

**Automatic Decaptioning:** X  
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**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** NATIONALIZATION, STEEL, IRON, JOINT VENTURES, INDUSTRIAL PLANTS  
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**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
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**Disposition Approved on Date:**  
**Disposition Authority:** izenbei0  
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**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
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**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
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**Office:** ACTION EA  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
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**Reference:** 75 LIMA 6033  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** izenbei0  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 16 JUL 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <16 JUL 2003 by BoyleJA>; APPROVED <18 NOV 2003 by izenbei0>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
06 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** MARCONA NATIONALIZATION: JAPANESE VIEW  
**TAGS:** EIND, EMIN, BDIS, PE, JA, MARCONA  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006